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Executive Secretary

January 26, 2011

Ms. Alysén Pedersen
Mine Geologist
CML Metals Corporation
6249 West Gilbert Industrial Court
Hurricane, UT 84737

Dear Ms. Pedersen:

Subject: Tailings from Magnetic Separation Process: Ground Water Discharge Permit-By-Rule

The Division of Water Quality (DWQ) has completed a review of the TCLP analytical results received via email on January 11, 2011 from four samples of tailings from pilot-scale tests of a magnetic separation process to concentrate iron ore. The results of our review are below.

CML Metals Corporation (CML) plans to construct a concentrate plant at its iron ore mine near Cedar City. The plant will use magnetic separators, thickeners, reverse flotation cells, and filters to generate tailings with moisture content of 15%. Water used in the process will be from two sources: 1) water produced from CML's Mountain Lion Pit, which has been determined to be Class II drinking water quality, and 2) Cedar City municipal water. The ore is oxidized and has little or no acid generating potential.

The tailings TCLP analytical results that CML has provided are from two different ore deposits: 1) the current CML pit, and 2) the Rex Burke deposit intended for future mining. Although there were some metals detected by the TCLP analyses, the results are well below the maximum concentration limits for TCLP toxicity. This is a conservative estimate of the potential for the tailings to cause ground water pollution if they are disposed of by stockpiling in CML's waste rock dumps, because natural precipitation leaching through the dumps would not mobilize metals to the same extent as the TCLP extraction process in the laboratory.

Provided the ore and milling processes produce tailings similar in composition to those tested for this determination, disposal of those tailings in CML's waste rock stockpiles poses a *de minimis* potential risk for causing ground water pollution. Accordingly, the tailings disposal would qualify for ground water discharge permit-by-rule status under UAC R317-6-6.2A.25, and an individual ground water discharge permit is not required.

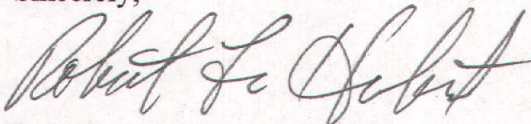
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If any of the factors cited above change because of changes in your operation or changes in the nature of the ore, this permit-by-rule determination may not apply and you should inform DWQ of the changes. If future project knowledge or experience indicates that ground water quality is threatened by this operation, the Executive Secretary may require that you apply for a ground water discharge permit in accordance with UAC R317-6-6.2.C.

While the Division of Water Quality will not directly regulate this site through a ground water discharge permit, please be aware that discharge of pollutants to ground water is illegal and you would be held responsible if the operation caused damage to beneficial uses of ground water. Accordingly, you should make every effort to keep pollutants such as oil, fuels, hydraulic fluid or paints out of locations where they could affect the ground water quality.

If you have any questions about this letter, please contact Mark Novak at mnovak@utah.gov or (801) 536-4358.

Sincerely,



Rob Herbert, P.G., Manager
Ground Water Protection Section

RFH/MTN

cc: Paul Wright, Southwest District Engineer
Southwest Utah Public Health Department
Paul Baker, DOGM Minerals Program Manager

DWQ-2011-001322